

Message Text

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ACTION EB-08

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OMB-01 ITC-01 SP-02 ICA-20 AGRE-00 AID-05 CIAE-00
COME-00 INR-10 LAB-04 NSAE-00 OIC-02 SIL-01
OPIC-06 STR-07 TRSE-00 CEA-01 SS-15 JUSE-00 FTC-01
ACDA-12 SMS-01 SAS-02 ABF-01 HEW-06 HUD-02 AF-10
ARA-14 NEA-10 OES-09 DOE-15 SOE-02 /211 W
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TO SECSTATE WASHDC 3812
INFO AMEMBASSY BRUSSELS
AMEMBASSY MANILA
AMEMBASSY PARIS
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USEEC USOECD

E.O. 11652: N/A

TAGS: EGEN, UNCTAD

SUBJECT: UNCTAD - TDB PLENARY DEBATE ON INTERDEPENDENCE

1. SUMMARY: PLENARY DISCUSSION ON TDB AGENDA ITEM 2
(INTERDEPENDENCE OF TRADE, MONETARY AND FINANCIAL ISSUES)
WAS INTRODUCED AND CONCLUDED SEPTEMBER 5. AFTER LENGTHY
INTRODUCTION BY UNCTAD DIVISION DIRECTOR ARSENIS, STATE-
MENTS WERE MADE BY EIGHT LDC'S GENERALLY SUPPORTING SECRE-
TARIAT EFFORTS TO MAKE THIS CONCEPT A MAJOR TOPIC AT
UNCTAD V AND TO USE IT AS A MEANS TO ENHANCE UNCTAD'S
ROLE IN THE YEARS AHEAD. EC-9 MADE BRIEF STATEMENT
SUPPORTING CONCEPT OF INTERDEPENDENCE AMONG STATES AND
AMONG ECONOMIC ISSUES. USSR, SUPPORTED BY SEVERAL EASTERN
EUROPEAN STATES, MADE STRONG PITCH TO FOCUS UNCTAD ATTEN-
TION ON EAST/WEST TRADE, PROTECTIONISM, CONTROL OF MULTI-
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NATIONAL CORPORATIONS, AND DISARMAMENT/DEVELOPMENT LINK.
CHINA LAUNCHED STRONG ATTACK ON USSR, ACCUSING SOVIETS OF
MAKING WAR PREPARATIONS. IN RIGHT OF REPLY, USSR DENOUNCED
CHINESE STATEMENT AS "SLANDER." END SUMMARY.

2. INTRODUCING INTERDEPENDENCE (AGENDA ITEM 2) IN THE
PLENARY, SEPTEMBER 5, UTAD DIVISION DIRECTOR ARSENIS

SPOKE IN SOMBER TONES -- UNDERSCORING HIS THESIS THAT NEW APPROACHES AND PROCEDURES ARE NEEDED TO DEAL WITH STRUCTURAL PROBLEMS OF WORLD ECONOMY. ARSENIS SAID THAT IN LIGHT OF CURRENT ECONOMIC PROBLEMS -- INCLUDING SLOW AND UNEVEN PACE OF RECOVERY, UNEMPLOYMENT, HIGH INFLATION RATES, UNEVEN DISTRIBUTION OF CURRENT ACCOUNT IMBALANCES AND UNSTABLE EXCHANGE RATES -- THERE IS RISK OF INCREASING PROTECTIONISM WHICH WOULD INHIBIT SUSTAINED NONINFLATIONARY GROWTH. PREDICTING THAT REAL GROWTH IN THE OECD COUNTRIES WOULD AVERAGE 4 PERCENT A YEAR IN 1978-79 AND THAT REAL GROWTH IN LDC'S WOULD AVERAGE BETWEEN 4 AND 6 PERCENT IN 1978 AND 1979, ARSENIS SAID THAT THE SECRETARIAT'S FORECASTS ARE OPTIMISTIC AND BASED ON THE ASSUMPTION THAT MEASURES PLEDGED BY DEVELOPED COUNTRIES AT THE BONN SUMMIT AND ELSEWHERE WOULD ACTUALLY BE CARRIED OUT. HE WARNED, HOWEVER, THAT IF CERTAIN COUNTRIES WITH BALANCE OF PAYMENTS SURPLUSES AND LOW INFLATION RATES DO NOT CARRY OUT AGREED MEASURES, AND IF AGGREGATE DEMAND POLICY IN THE U.S. IS EXCESSIVELY RESTRICTIVE IN EFFORT TO DEAL WITH INFLATION AND MAINTAIN VALUE OF DOLLAR, THE POSSIBILITY OF A WORLD-WIDE RECESSION "CANNOT BE EXCLUDED." CLAIMING THAT THERE IS A GROWING CONSENSUS THAT CURRENT RECESSIONS ARE NOT CYCLICAL, BUT STRUCTURAL, IN NATURE, ARSENIS SAID THAT OUR ECONOMIC SITUATION IN THE 20TH CENTURY IS CAUSED BY THE FOLLOWING CONFLICTING CHARACTERISTICS: A) A MAIN ECONOMIC DRIVE THAT IS MARKET-ORIENTED; B) RIGIDITIES

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CAUSED BY GROWING POWER OF OLIGOPOLIES AND LABOR UNIONS AND THEIR COLLECTIVE ACTIONS; AND C) ACTIONS TO IMPROVE A PYRAMID-SHAPED INCOME DISTRIBUTION TO PERMIT FAVORABLE LIVING CONDITIONS FOR AN INCREASING NUMBER OF PEOPLE. STATING THAT ALL THREE OF THESE CONDITIONS CANNOT EXIST TOGETHER, ARSENIS SAID THAT THE WORLD COMMUNITY HAS TRIED TO SOLVE THIS DILEMMA BY ATTEMPTING TO BY-PASS INCOME DISTRIBUTION THROUGH ECONOMIC GROWTH, BUT THAT GROWTH HAS NOT ALTERED DISTRIBUTION OF INCOME WITHIN OR AMONG COUNTRIES. HE CITED THE FOLLOWING MEASURES AS REQUIRED FOR STABLE WORLD ECONOMIC RELATIONS: A) STABILIZATION OF COMMODITY PRICES; B) ACCESS TO MARKETS; C) MORE SYMMETRICAL BALANCE OF PAYMENTS ADJUSTMENTS AMONG STATES; AND D) USE OF FINANCIAL AND CAPITAL MOVEMENTS TO STIMULATE NEW INVESTMENT AND TRADE MOVEMENTS. RECOGNIZING THAT IT IS PERHAPS TOO SOON TO DEVELOP A BLUEPRINT FOR A NEW INTERNATIONAL ECONOMIC ORDER, ARSENIS STATED THAT IT IS NOT TOO SOON FOR THE INTERNATIONAL COMMUNITY TO SET UP CONSULTATION PROCEDURES -- BEARING IN MIND A) THAT SHORT-TERM POLICIES ADOPTED BY INDIVIDUAL COUNTRIES SHOULD BE CONSISTENT WITH THE LONG-TERM OBJECTIVES OF THE INTERNATIONAL COMMUNITY, AND B) THE NEED TO ENGAGE IN CONSTRUCTIVE DIALOGUE LEADING

TO FUTURE NEGOTIATIONS AND THE "WRITING OF NEW RULES FOR A NIEO THAT WILL BE STABLE AND EQUITABLE FOR ALL."

3. G-77 DID NOT REPEAT NOT ISSUE A GROUP STATEMENT ON INTERDEPENDENCE, BUT THE EIGHT LDC'S WHICH MADE STATEMENTS IN PLENARY EXPRESSED STRONG SUPPORT FOR UNCTAD GIVING INCREASED ATTENTION TO INTER-RELATIONSHIPS AMONG TRADE, MONETARY AND FINANCIAL ISSUES -- EXPRESSING HOPE THAT THIS WOULD GIVE LDC'S A GREATER VOICE IN DELIBERATIONS ON GLOBAL ECONOMIC PROBLEMS AND MORE INFLUENCE ON POLICY AND OPERATIONS OF THE IFI'S. MOST OF THE LDC SPEAKERS ALSO EXPRESSED NEED TO DEAL WITH GROWING THREAT OF PROTECTIONISM IN CONTEXT OF INTERDEPENDENCE. JAMAICA DESCRIBED INTERDEPEND-

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ENCE AS A POTENTIALLY POWERFUL TOOL TO CLARIFY ISSUES AND TO IDENTIFY PRIORITIES. ONE PRIORITY, IN JAMAICA'S VIEW, WOULD BE TO RESHAPE THE INTERNATIONAL MONETARY SYSTEM TO BE MORE RESPONSIVE TO THE NEEDS OF LDC'S -- BY PROVIDING LONGER TERM BALANCE OF PAYMENTS FINANCING AND AN IMPROVED SYSTEM FOR COMPENSATORY FINANCING. INDIA EMPHASIZED THE NEED FOR "A CONTINUING MECHANISM" TO PURSUE INTERDEPENDENCE DELIBERATIONS, AND EGYPT PROPOSED ADOPTION OF DRAFT RESOLUTION SUBMITTED BY AFRICAN GROUP AT 14TH TDB, WHICH WOULD

ESTABLISH A STANDING COMMITTEE OF THE TDB TO FACILITATE COORDINATION WITH THE IMF AND GATT ON INTER-RELATED TRADE, MONETARY AND FINANCIAL ISSUES. (COMMENT: WE HAVE RECEIVED NO INDICATION THAT REST OF G-77 IS PREPARED TO PUSH FOR ADOPTION OF THIS LONG-STANDING DRAFT RESOLUTION AT THIS SESSION OF THE TDB. END COMMENT.)

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INDIA ALSO PROPOSED THAT UNCTAD V DRAW UP COMPREHENSIVE GUIDELINES FOR EVOLUTION OF CONCRETE SCHEMES FOR ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, AND THAT THE INTERNATIONAL TRADE CENTER BE USED TO PROMOTE SUCH COOPERATION. MEXICO, ROMANIA AND VENEZUELA MADE RHETORICAL STATEMENTS CALLING FOR MODIFICATION OF INTERNATIONAL ECONOMIC SYSTEM TO ACHIEVE NIEO. COMMENTING ON THE FACT THAT ANOTHER COUNTRY (INDIA) HAD REFERRED TO THE MOUNTING CURRENT ACCOUNT DEFICITS OF THE NON-OIL LDC'S, MEXICO STATED THAT THE PROBLEMS OF THESE COUNTRIES ARE NOT REPEAT NOT ATTRIBUTABLE TO THE OIL PRICE INCREASE, BUT TO THE DETERIORATING TERMS OF TRADE OF AGRICULTURAL VIS-A-VIS MANUFACTURED EXPORTS. NIGERIA STRESSED THE NEED FOR A SELECTIVE UNCTAD V AGENDA AND SAID WE MUST RESIST INCLUDING CERTAIN ITEMS JUST TO APPEASE CERTAIN REGIONAL GROUPS OR DIVISIONS IN THE SECRETARIAT. ETHIOPIA WAS ONLY LDC WHICH EXPRESSED SKEPTICISM THAT MUCH WOULD BE DONE AT UNCTAD V ON INTERDEPENDENCE, SINCE SECRETARIAT HAD NOT YET IMPLEMENTED CONFERENCE RESOLUTION 84(III) ON THIS SUBJECT.

4. ONLY MEMBERS OF GROUP B TO SPEAK ON INTERDEPENDENCE WERE THE EC-9, WHICH ISSUED JOINT STATEMENT EXPRESSING SUPPORT FOR THE CONCEPT AND ANNOUNCING THAT THEY WOULD MAKE AVAILABLE TO THE TDB THE EC-9 ANALYSIS OF INTERDEPENDENCE PRESENTED AT THE UNGA COMMITTEE OF THE WHOLE LAST MAY.

5. USSR, SUPPORTED BY POLAND, MADE STRONG PITCH TO TREAT EAST/WEST TRADE MATTERS AS PART OF UNCTAD'S UNIVERSAL MANDATE, AND -- IN THIS CONNECTION -- TO INSTITUTE SPECIAL PROCEDURES WHICH COULD BE FOLLOWED TO HANDLE CASES OF COUNTRIES WHICH ARE VICTIMS OF PROTECTIONISM. THE USSR, POLAND AND THE GDR, ATTACKED MULTINATIONAL CORPORATIONS AS THE CHANNELS FOR CARRYING ECONOMIC UPHEAVAL TO THE ENTIRE CAPITALIST WORLD AND SUGGESTED THAT SOME MEANS FOR

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CONTROLLING MNC'S BE CONSIDERED AT UNCTAD V. THE USSR, WITH SUPPORT FROM MONGOLIA AND THE UKRAINE, ALSO CALLED

FOR UNCTAD TO PLACE MORE EMPHASIS ON THE DISARMAMENT/
DEVELOPMENT LINK. --.'

6. REITERATING ITS CRITICISM OF THE TWO SUPERPOWERS FOR
NOT ACCEPTING THE NIEO, CHINA DELIVERED A SCATHING ATTACK
ON THE USSR, WHICH THE SOVIETS AND BYELORUSSIA DENOUNCED
AS "SLANDER" IN CLAIMING THEIR RIGHT TO REPLY. AFTER
SIMPLY NOTING THAT ONE SUPERPOWER (THE U.S.) WANTS TO
PROTECT ITS INTERESTS, CHINA ACCUSED THE OTHER (USSR) OF
TAKING THE OFFENSIVE IN SEEKING HEGEMONY AND CARRYING OUT
WAR PREPARATIONS. CHINA POINTED OUT THAT SOME LDC'S ARE
BECOMING AWARE OF THE DANGERS OF DEALING WITH THIS SUPER-
POWER, WHICH PLUNDERS LDC NATURAL RESOURCES (ESPECIALLY
ENERGY RESOURCES) TO SUPPORT ITS WAR PREPARATIONS. CHINA
ALSO WARNED THAT LDC'S WHICH CONTINUE TO DEAL WITH THIS
SUPERPOWER ARE "HELPING TO BRING UP A TIGER WHICH IS NO
GOOD FOR ANYONE." IN ITS REPLY, THE USSR ACCUSED "PEKING"
OF DISTRACTING ATTENTION FROM WORK OF TDB, OF CARRYING OUT
A BIG POWER HEGEMONISTIC COURSE OF ACTION, AND OF USING
EVERY MEANS TO UNDERMINE THE SOCIALIST COMMUNITY.
VANDEN HEUVAL## -. '.

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